

THE LIMITS OF THE CORPORATE VEIL: WHEN ARE SHAREHOLDERS PERSONALLY LIABLE?

NOVEMBER 2026

Executive Summary:

One of the reasons for incorporating a company is to keep its assets separate from those of its members: if the business fails or incurs debts, the company is liable, not the personal assets of its shareholders. This separation is known as the corporate veil.

On September 30, 2026, Mexico's Supreme Court of Justice (the "SCJN") decided Amparo Directo 57/2025, holding that the corporate veil has a constitutional basis and is a general rule of the Mexican legal system as regards the separation between the assets of a company and those of its shareholders. The same ruling, however, upheld the decision to pierce the corporate veil and hold personally liable the controlling partner of two entities that had been used as vehicles to extract funds to the detriment of a third party.

The SCJN's ruling confirms that the separation of assets between a company and its shareholders remains firm, but yields once it is proven that the company was used as an instrument of abuse against its creditors or third parties. The decision also offers very concrete lessons on which evidence is suitable to prove that abuse and which is not.

I. WHAT IS THE CORPORATE VEIL AND WHAT DOES IT PROTECT?

The General Law of Commercial Companies (Ley General de Sociedades Mercantiles) grants registered companies a legal personality separate from that of their shareholders. For example, in a sociedad anónima (corporation) and in a sociedad de responsabilidad limitada (limited liability company), a shareholder's obligation is limited to paying for its shares or capital contributions. That limitation is what makes it possible to invest, finance projects, and take on business risk without putting all of one's personal assets on the line. In this context, the corporate veil is the legal and economic separation between a company and its shareholders, by virtue of which the company's obligations are, as a general rule, not directly attributable to them.

Piercing the corporate veil is the exception to that limitation: the separation between the company's assets and the shareholders' personal assets is disregarded, and the shareholders are held directly liable. The doctrine is not expressly regulated by statute; it has been developed through legal scholarship and case law.

II. FROM THE FIRST CHAMBER TO THE FULL COURT: HOW THE DOCTRINE HAS EVOLVED

In 2024, the now-defunct First Chamber of the SCJN decided Amparo en Revisión 266/2023. In that case, a financial institution had sought pre-suit precautionary measures against its debtors and, since their accounts lacked sufficient funds, obtained a court order piercing the corporate veil to extend those measures to other companies unrelated to the loan, whose bank accounts were then frozen.

The SCJN granted amparo relief to one of the companies to which the precautionary measures had been extended and set out two rules, established in judicial criteria (tesis aisladas) 1a. I/2025 (11a.) and 1a. II/2025 (11a.):

(i) as a general rule, the corporate veil may not be pierced as a precautionary measure in pre-suit proceedings; and
(ii)piercing the veil requires not only objective elements (the company's structure, who controls it, or the existence of a debt), but also subjective elements showing that the company was used as a façade to defraud third parties.

The SCJN has now gone a step further, holding that the corporate veil is not a privilege granted by the legislature, but an institution grounded in the Mexican Constitution, linked to freedom of enterprise and association and to legal certainty.

Accordingly, the standard the SCJN set for piercing the veil provides that: *"...piercing the corporate veil cannot be an ordinary, discretionary, or punitive measure; rather, it must be understood as an exception, subject to at least an ordinary level of justification, and its purpose must be corrective, not punitive..."*

III. WHAT DID THE SCJN DECIDE IN THIS CASE?

A cooperative hired a law firm to sell certain assets it no longer used and allocate the proceeds to its workers' pension fund. However, the agreement was signed by a director who lacked sufficient authority and was later assigned to a second firm. Both firms were controlled by the same individual, who also took part in executing the agreements under which substantial fees were set, payable over ten years.

When the cooperative's management changed, it stopped paying the fees. The firm sued for payment, while the cooperative counterclaimed for the annulment of the agreement, the return of the amounts paid, and the piercing of the corporate veil so that the controlling partner would be held personally liable. The lower courts ruled in favor of the cooperative, and the full Supreme Court denied amparo relief to the firm.

¿What evidence proved decisive in this case?

The most valuable part of the ruling lies in how the evidence was weighed. The trial and appellate courts had based their finding of abuse primarily on a restorative agreement (acuerdo reparatorio) that the partner entered into during a criminal investigation.

The SCJN, however, set that agreement aside, reasoning that its content is protected by the right against self-incrimination and by the confidentiality inherent in restorative justice. Consequently, it cannot be used against the person who signed it.

What did support piercing the veil was a private settlement agreement, entered into outside the criminal proceedings and ratified before a commercial notary (corredor público), in which the partner himself acknowledged having used both firms to extract funds from the cooperative through sham service agreements. This was coupled with "proof of effective control": he was the majority partner and chairman of both entities and signed every instrument on their behalf. In other words, both the objective element (control) and the subjective element (abusive purpose) were established through suitable evidence.

What is the scope of piercing the veil?

The SCJN clarified that piercing the corporate veil does not mean disregarding the company's existence. Its effects are limited to the specific relationship with the injured party; the company retains its capacity to enter into contracts, collect receivables, and litigate vis-à-vis other third parties, since the piercing does not automatically extend to other relationships.

In sum, the SCJN reinforces the corporate veil as the general rule while confirming that it is not an absolute shield. For creditors, it opens the door to reaching the assets of whoever controls a company used to defraud them, provided the abuse is proven with suitable evidence; for shareholders, it reaffirms that the separation of assets remains intact as long as the company is used for the purposes that justify its existence.

Jaime Gortarez
Associate
jaime.gortarez@s-s.mx